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- Arab mediation efforts have failed to get Morocco and Algeria to compromise. Arab League Secretary General Riad's current effort has little chance of success.
- Morocco continues to insist on Algerian recognition of Moroccan sovereignty over the Sahara before entering into meaningful negotiations.
- Algeria refused to drop its demand for a referendum on self determination for the people of Spanish Sahara. Algiers maintains that the Moroccan-Mauritanian takeover is illegal and that Spain is still accountable to the UN as the administering power of a non-self governing territory.
- Morocco should be able to contain--but not eliminate--the Polisario Front's insurgency in Spanish Sahara so long as the conflict remains an insurgency with only limited Algerian support.
- An escalation of the fighting short of all-out war would most likely produce a repetition of the inconclusive border war of 1963 between Morocco and Algeria.
- In the unlikely event of a full-scale war, Algeria should win because of the numerical superiority of its air and armored forces.

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Economic Intelligence

Why does the Agency, rather than Commerce or some other agency, conduct economic analysis? Why doesn't the Agency just address political and military intelligence?

Answer

International economics is now an inseparable part of foreign policy. Moreover, international economic matters impact heavily on US domestic policy. The high prices of oil, meat, and bread are largely due to events abroad. Economic interdependence has created a multitude of friction points with both the Third World and our traditional allies. And it is still necessary to our national security to know the war-making potential of the Soviet and Chinese economies.

There is widespread acceptance of CIA's unique role:

- We can provide an independent assessment of economic issues. CIA has no stake in any particular policy or course of action.
- We provide analysis based on all kinds of sources.
- We can provide integrated analysis of the relevant political and military factors that bear on economic issues.
- And we have the ability to respond quickly and flexibly to the needs of policy officials.

Recent Political Developments in China

The present political infighting in China looks both backward and forward. It grows out of personal and political quarrels of the past decade. At stake is the shape of the succession to Chou En-lai and Mao Tse-tung.

- The central issue is whether or not the Cultural Revolution was really legitimate.
- As a major victim of the Cultural Revolution, the "rehabilitated" Teng Hsiao-ping is a very controversial figure. If he were premier the Cultural Revolution would be in effect repudiated; the party's left wing also feared he would take revenge against them.
- The left wing has not yet reversed recent political trends.
- Acting premier Hua Kuo-feng is a compromise candidate. Politically he is closer to Teng than to the leftists. He will probably eventually be confirmed as permanent premier.
- The left is now attempting to eliminate Teng again from political life. The returns on this struggle are not yet in. Teng has many powerful friends.
- Although a major political struggle is under way, it does not appear that China is in for another Cultural Revolution.
- There is as yet no sign that major foreign policy changes are contemplated. Chinese officials have been insisting that there will be no changes in this area.
- China's invitation to former President Nixon indicates that Peking does not intend to abandon its connection with Washington. Propaganda attacks on the Soviet Union are continuing.

The Soviet Party Congress

The 25th Soviet Party Congress opens on Tuesday, February 24. We expect the following results:

- Brezhnev and the core of top leaders will be reconfirmed in office.
- Some leadership changes are likely at the secondary level; if a top leader should depart, Premier Kosygin seems the most likely.
- Shifts among second-echelon leaders may offer some clues about how the succession problem will develop in the post-Congress period.
- The basic outlines of present policies will be reaffirmed, but account will be taken of policy disappointments and difficulties.
- Brezhnev will come out for a new SALT agreement and for getting detente with the US back on the tracks--while noting the increasing activity of "anti-detente forces" in the US.
- He will emphasize Soviet leadership of the world communist movement as well as support for national liberation movements.
- Concerning the economy, the leadership will try to gloss over the worst aspects and will stress improving quality and efficiency at this stage rather than quantitative growth.

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ANGOLA

-- After more than six months of fighting, the conventional aspect of the war in Angola is over.

-- In the north, the National Front has retreated into Zaire and is finished as a political and military force. Zairian President Mobutu, the National Front's long-time backer, is now attempting to reach an accommodation with the Luanda regime of Agostinho Neto. Neto's prime minister is scheduled to travel to Kinshasa this weekend for discussions with Mobutu.

-- As a result of the Popular Movement's overwhelming military superiority, National Union leader Jonas Savimbi's forces are now confined to remote areas of southeastern Angola.

-- Savimbi claims he will continue fighting a guerrilla war. Some local skirmishing is going on, but in the long term we doubt Savimbi can maintain an effective insurgency.

-- Thus far, the Popular Movement and Cuban forces in the south have made no move against the South African forces still in southern Angola. The South Africans are approximately 30 miles inside Angola while the Popular Movement is still some 100 miles away from the South African lines.

-- The OAU has officially endorsed the Neto regime as the Peoples Republic of Angola and only six OAU members have not yet recognized the Luanda government. Major European governments, led by France and Great Britain, are extending recognition.

-- The Neto government faces formidable tasks in extending its political control throughout Angola and in restoring Angola's potentially rich but shattered economy. The Popular Movement will need extensive technical and financial support from the Cubans and Soviets for some time to come.

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The Washington Star carried several stories this week claiming that CIA has been grossly underestimating Soviet defense spending and that new information has caused CIA to double its estimates. Would you please comment on these allegations?

- The man who wrote the stories has obviously talked to a number of people in Washington about the problem. As is often the case in such matters he got some things right, some things partly right and some things wrong.
- It is true that CIA is engaged in a review of a large new body of evidence bearing on our estimates of Soviet ruble defense spending. Preliminary indications are that our estimates of the number of rubles the Soviet spend for defense will be substantially higher than in the past. It is important to note, however, that this review is not yet complete.
- It is even more important not to misconstrue the implications of this reassessment. If the forthcoming estimates do indeed show defense activities cost more rubles than we had believed:
 - it would mean that we have been crediting Soviet defense industries with being more efficient than they are;
 - it would mean that the Soviets have been willing to bear a greater burden for defense than we had believed;
 - on the other hand, it would not mean the Soviets have recently engaged in a more rapid buildup of their forces than previously believed,
 - it would not mean that the physical size of Soviet forces--as measured in dollars--were any larger than we have believed. These estimates are based on direct observation of their forces, not on ruble costs.
 - Nor would it mean that the capabilities of Soviet forces are any greater. A different body of force related data, including technical characteristics, must be considered for such judgments.